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**UNITED STATES DISTRICT COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**OAKLAND DIVISION**

PSI CORPORATION (f/k/a  
FRIENDLYWAY CORPORATION, f/k/a  
BIOFARM, INC.),

PLAINTIFF,

vs.

ALEXANDER VON WELCZECK, HENRY  
LO, MICHAEL DRAPER and  
FRIENDLYWAY AG,

DEFENDANTS .

FRIENDLYWAY, INC., KARL  
JOHANNNSMEIER, PACIFIC  
CAPSOURCE, INC., and DERMA PLUS,  
INC.,

NOMINAL DEFENDANTS

ALEXANDER VON WELCZECK and  
HENRY LO

CROSS-COMPLAINANTS,

vs.

PSI CORPORATION (f/k/a  
FRIENDLYWAY CORPORATION, f/k/a  
BIOFARM, INC.),

CROSS-DEFENDANT.

**CASE NO. C 07-02869 SBA**

**DEFENDANTS ALEXANDER VON  
WELCZECK'S AND HENRY LO'S  
CROSS-COMPLAINT AGAINST PSI  
CORPORATION**

1 Pursuant to Rule 13 of the Federal Rules of Civil Procedure, Defendants and  
2 Cross-Complainants ALEXANDER VON WELCZECK (“Welczeck”) and HENRY LO  
3 (“Lo”) (collectively “Cross-Complainants”) hereby counterclaim against Plaintiff and  
4 Cross-Defendant PSI CORPORATION f/k/a FRIENDLYWAY CORPORATION, f/k/a  
5 BIOFARM, INC. (hereinafter “PSI” or “Counter-Defendant”) as follows:

6 **PARTIES AND JURISDICTION**

7 1. On or about June 1, 2007, PSI commenced a lawsuit against, among other  
8 parties, Welczeck and Lo and other parties in this court and under the above action  
9 number (the “Complaint”). By a separate pleading filed concurrently with this Cross-  
10 Complaint, Cross-Complainants have denied any and all material allegations in the  
11 Complaint and have raised affirmatives defenses thereto.

12 2. Cross-Complainant Welczeck is an individual residing in California who,  
13 at all times relevant, was the Chief Executive Officer (“CEO”) and the majority  
14 shareholder of friendlyway, Inc. (“FWI”) and its successor Friendlyway Corporation  
15 (“FW Corp”).

16 3. Cross-Complainant Lo is an individual residing California who, at all  
17 times relevant, was the Chief Financial Officer of FWI and its successor FW Corp.

18 4. Cross-Defendant, on information and belief, is a Nevada corporation with  
19 its principal place of business in Colorado Springs, Colorado.

20 5. Cross-Defendant has submitted to the jurisdiction of this court by the  
21 filing of its Complaint.

22 **GENERAL ALLEGATIONS**

23 6. On August 13, 2004, FWI entered into a Stock Exchange Agreement  
24 (“SEA”) to acquire Biofarm, Inc. (“Biofarm”), a public shell company, as part of a  
25 “reverse merger.” The SEA established a 3 to 1 share exchange ratio that granted FWI’s  
26  
27

1 shareholders an aggregate 75% the resulting company. Biofarm's shareholders retained  
2 the remaining 25%.

3 7. Biofarm represented to FWI through the closing of the SEA that  
4 Biofarm's outstanding capitalization consisted of 6,000,000 shares. Accordingly, FWI's  
5 shareholders received 18,000,000 shares of the merged company and Biofarm's  
6 shareholders received 6,000,000.

7 8. On December 10, 2004, FWI and Biofarm entered into the Closing  
8 Agreement consummating the merger transaction. The merged company then changed its  
9 name to FW Corp.

10 9. The SEA and Closing Agreement were publicly disclosed in Cross-  
11 Defendant's Form 10-K and Form 10-Q filings with the Securities and Exchange  
12 Commission following the closing ("SEC Filings").

13 10. In May 2006, FW Corp. acquired Pantel Systems, Inc. ("Pantel"), and the  
14 resulting company thereafter changed its name to PSI. As part of this merger, Cross-  
15 Defendant agreed to assume all of the liabilities of its predecessor FW Corp.

16 11. Following the closing of the FW Corp. merger with Pantel, Pantel's sole  
17 shareholder became the majority and controlling shareholder of Cross-Defendant, as well  
18 as its President, and CEO. Soon thereafter, Welczeck and Lo were dismissed from  
19 Cross-Defendant's Board of Directors and from their positions as CEO and CFO.

## 20 **LEGAL CLAIMS**

### 21 **FIRST CLAIM**

#### 22 **(Breach of Contract regarding Promissory Note – Cross-Complainant Welczeck)**

23 12. Cross-Complainants reincorporate and reallege by this reference as though  
24 more fully set forth all the preceding and subsequent allegations of this Cross-Complaint.

25 13. As part of the merger of FWI and Biofarm, Cross-Defendant repurchased  
26 1,633,334 shares of its common stock from Welczeck on or about October 31, 2004 for  
27

1 \$367,500. Cross-Defendant paid Welczeck for these shares by issuing him a promissory  
2 note in the amount of \$367,500 (“the Note”).

3 14. In July 2005, a portion of the Note in the amount of \$200,000 was  
4 converted to 454,545 shares of common stock of Cross-Defendant. The remaining  
5 portion of the Note, \$167,500 plus accrued interest of \$26,613, was converted into a new  
6 promissory note in the amount of \$194,113 (“New Note”). The New Note bears interest  
7 at 6% per annum and matures on June 30, 2008.

8 15. Welczeck has performed all conditions, covenants, and promises required  
9 to be performed by him in accordance with the terms and conditions of the Note and New  
10 Note.

11 16. Cross-Defendant has breached the Note and New Note by refusing to issue  
12 the stock to Welczeck, repudiating its obligations to Welczeck under the Note, and by  
13 filing the Complaint seeking rescission of all exchanges of securities between Cross-  
14 Complainant and Cross-Defendant.

15 WHEREFORE, Cross-Complainant Welczeck prays for relief against Cross-  
16 Defendant as hereinafter set forth.

17 **SECOND CLAIM**

18 **(Breach of Contract regarding SEA/Closing Agreement –**  
19 **Cross-Complainants Welczeck and Lo)**

20 17. Cross-Complainants reincorporate and reallege by this reference as though  
21 more fully set forth all the preceding and subsequent allegations of this Cross-Complaint.

22 18. Biofarm disclosed at the time of the Closing Agreement and in Cross-  
23 Defendant’s subsequent SEC Filings that it had 6,978,130 outstanding shares of common  
24 stock, rather than the 6,000,000 shares disclosed to FWI in the SEA.





5. For such other and further relief as the Court may deem proper.

CORNERSTONE LAW GROUP

By: /S/  
 Harry Lewis  
 Attorneys for Defendant  
 ALEXANDER VON WELCZECK and  
 HENRY LO